

Annual Audit Letter

North Tyneside Council

Audit 2008/09

November 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit opinion

- 1 I gave an unqualified opinion on the Council's 2008/09 financial statements on 30 September 2009.
 - 2 On the same day I also gave an unqualified Value for Money conclusion, confirming that the Council had adequate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.
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Serving diverse communities

- 3 There were significant gaps in the Council's arrangements for diversity and hence in its ability to meet the needs of diverse local communities. This had value for money implications in terms of commissioning and procuring services tailored to need.
 - 4 However, since our review a new, more effective, corporate and strategic approach to diversity issues is emerging. The Council had recognised the weaknesses in its approach to diversity and is now taking the following action to address them, with good support from a consultant.
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Ethical governance

- 5 The Council's arrangements for ethical governance are not as effective as they might be, because:
 - compliance with good governance principles is undermined by a small minority of Members;
 - relationships between members and other members and members and senior officers is seen as adversarial; and
 - the ineffectiveness of the Standards Committee.
-

Health inequalities

- 6 Progress is being made in tackling the significant health inequalities in the North East through leadership from regional agencies, partnership working between public sector bodies and the voluntary sector at the local level, and by increasing or prioritising funding.
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- 7 But data is not always available to ensure that services are targeted at those who need them most, and value for money and improved outcomes cannot be demonstrated if accountability and performance management arrangements are weak. Agencies need to look for better ways to involve the community and voluntary sectors, and take community views into account when developing high level strategies and service development plans.

Table 1 **Audit fees**

	Actual	Proposed	Variance
Financial statements and annual governance statement and WGA	226,500	226,500	Nil
Value for money (included Data Quality)	122,500	122,500	Nil
Total audit fees	349,000	349,000	Nil
Non-audit work - (grant certification)	70,000	70,000	Nil
Total	419,000	419,000	Nil

Actions

- 8 Recommendations are shown within the body of this report and have been agreed with the audited body.

Independence

- 9 The audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council's accounts for its stewardship of public funds.

Significant issues arising from the audit

- 10** The Council amended its financial statements following audit. The key changes were because:
- Council dwellings were undervalued by £19m; and
 - the accounting treatment of the reduced value of the Council's investment in Newcastle airport needed to be amended to achieve consistency across all local authority shareholders.

Material weaknesses in internal control

- 11** I did not identify any significant weaknesses in your internal control arrangements.

Accounting practice and financial reporting

- 12** I considered the qualitative aspects of your financial reporting and there are no issues to bring to your attention.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 13** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 14** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 15** The overall score for the Council's use of resources is level 2 (performing adequately). This takes into account:
- the general strengthening of the Audit Commission's scoring criteria in the new Use of Resources approach this year; and
 - the Council's planned and actual progress, and the positive impact this should have on the Council's arrangements.
- 16** The Council's use of resources theme scores are shown in Table 2. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	2

Value for money and use of resources

17 There are elements of good performance across a number of the use of resources Key Lines of Enquiry (KLOE), in particular:

- financial planning; and
- understanding costs and performance.

18 Key areas for improvement are:

- better data quality to support decision making;
- improving the behaviour of a small minority of Members;
- identifying and using property; and
- better quality assurance arrangements for the financial statements.

Recommendation

R1 The Council should ensure that action is taken to improve its use of resources.

Serving diverse communities

19 There were significant gaps in the Council's arrangements for diversity and hence in its ability to meet the needs of diverse local communities. This had value for money implications, as follows.

- An explicit approach to diversity was absent from the community engagement framework and the area planning framework.
- Services had good connections to local communities and provided some good local responses, but this intelligence was not drawn together to inform corporate strategy and action.
- Corporate equality plans, including the corporate equality plan, and equalities impact assessments (EIAs) had no profile and were not monitored.
- Diversity was not integrated into service planning and therefore did not provide a basis for resource management.
- The annual residents' survey was not fully analysed for diversity dimensions.
- Key frontline staff had not received training in diversity.
- Officers completing EIAs had received only brief training in completing the form and usually no training in diversity issues, to provide an understanding of the issues and impacts.

- 20** The Council has recognised the weaknesses in its approach to diversity and has taken action to address them. Specific actions include:
- a new Equality, Diversity and Cohesion team has been established within the Chief Executive's Office to facilitate a consistent approach to diversity;
 - provided good leadership and concerted action to improve its response to diversity issues, an example of this being the establishment of a Partnership Engagement Unit, which comprises Council engagement staff and staff from partner organisations;
 - with its partners, the Council had recognised the importance of gathering, sharing and using information about local communities; it had also recognised that its engagement with, and therefore understanding of, diverse local communities was incomplete. This awareness was reflected in the new cohesion strategy and is supported by a new Information Observatory;
 - there was new guidance on integrating diversity issues into service planning and to making the Council's requirements much more explicit, including a new diversity objective for individual staff and a new corporate equalities and diversity monitoring form has been launched for use by all services; and
 - new training programmes are planned for councillors and officers; with some new training already being delivered.
- 21** Most of these developments were at a very early stage, and much will depend on the ability of the Council to maintain focus on them and to ensure that they were completed and embedded in its strategy and operations.

Probity in partnerships

- 22** Comprehensive governance arrangements were not yet in place across all partnerships. The Council was working to address this and best practice guidance had been used to identify an appropriate framework, supported by a dedicated resource to take forward its implementation. The Council were aware of the strengths and weaknesses of current arrangements and recognised that further work would be required to ensure all partnerships fully met corporate standards. A timetable was in place to enable further progress but detailed corrective actions were still to be agreed and implemented within individual partnerships.

Value for money and use of resources

23 The Council had made good progress in establishing comprehensive partnership management arrangements. Particular areas of note are as follows.

- The development of comprehensive guidance that covered the key areas of governance, legality, performance and risk management, finance management and staffing issues.
- The development and implementation of a process to identify and assure partnerships met appropriate standards.
- The commitment of resources and specialist staff to support the process and ensure that appropriate standards in all key areas are defined and met.
- The mapping of partnerships, assessment of partnership significance and alignment with Council objectives.
- An action plan was in place that identified necessary steps towards the establishment of comprehensive arrangements.

24 In order to ensure that arrangements were effective and fully established further work was required, in particular:

- the establishment and implementation of detailed actions in individual partnerships to address identified areas of weakness;
- performance management arrangements did not yet effectively cover the measurement of outcomes;
- assurance arrangements in relation to data quality were not yet comprehensively in place;
- risk management arrangements were not comprehensively established; and
- arrangements to mitigate against fraud and corruption where the Council is not the host partner were not demonstrated.

Review of the Transformation/Value for Money Programme arrangements

25 The Council had put in place action plans to address specific problems and tangible progress had been made in a number of areas towards establishing effective programme management. There were examples of good practice relating to the approach to communication and engagement and to management of the sheltered housing project. However, there were a number of issues that needed to be considered to further strengthen arrangements.

- 26 The Council had taken action to address weaknesses identified in earlier independent reviews, in particular:
- establishing programme structures that are effectively integrated with normal business processes at Corporate Management Team level;
 - focusing on identified key projects to deliver the programme's objectives;
 - establishing appropriate governance and structures at programme theme level; and
 - mapping key projects and developing an overall programme plan with key milestones and targets.
- 27 A number of other issues that required action were:
- there was evidence of inconsistency in the application of expected project management standards across individual Themes. Although it is accepted that approaches can legitimately vary the Council needed to be assured that common core standards were in place and applied;
 - the Transformation Board and the individual Theme Boards had limited assurance that individual projects were being effectively managed;
 - the resources within the Programme Management Office (PMO) were insufficient to effectively support the programme at theme and project level;
 - risk management (RM) arrangements were not consistent and were not fully integrated with corporate RM processes; and
 - a Benefits Management Strategy was in place and work was underway to map benefits.
- 28 However, this was not embedded at project level and roles and responsibilities were not effectively defined or resourced.
- 29 Although Managing Successful Programmes (MSP) was defined as the Council's programme management standard there was no evidence that any specific training had been provided to staff.

Ethical Governance

- 30 An on-line survey of councillors and senior staff of the Council was followed up with a detailed review of the documents, which set out and govern ethical governance within the Council. This was followed up with focussed interviews some councillors and officers of the Council.
- 31 The survey was completed in October 2008. Returns were received from 57 (from a possible 99) recipients, giving an overall return rate of 57.6 per cent. This included 30 of a possible 67 members and independents, along with 27 of a possible 32 senior officers.

Value for money and use of resources

32 The Council had:

- adopted and promoted the principles of good governance and had, in addition, implemented all of the requirements of the Local Government Act 2000;
- maintained focus on purpose and vision;
- a strong suite of plans and strategies focussed on customer needs;
- worked round political tensions to achieve aims and objectives;
- developed longer term support to the third sector; and
- an Executive and senior management seen as promoting the principles of good governance.

33 However, we were told that:

- a small minority of members did not demonstrate the principles of good governance;
- key committees were turned into 'Theatres of war';
- it was felt that 'Decision making is played out in local press';
- relationships between members and other members and members and senior officer are seen as adversarial;
- examples of achievements being delayed due to 'playground politics'; and
- the Standards Committee was not yet fully effective.

Review of health inequalities in the North East

34 Our review, completed jointly by the Audit Commission and Deloitte has involved public sector bodies across the North East, as well as the voluntary sector, looking at how organisations are working together to tackle health inequalities. In North Tyneside we also carried out a more detailed review of action being taken to address teenage pregnancy.

35 Addressing such a major issue is not the preserve of any one organisation but must be addressed through co-operation and a shared commitment to action. We found that good progress is being made in tackling health inequalities through leadership from regional agencies, partnership working between public sector bodies and the voluntary sector at the local level, and by increasing or prioritising funding.

36 Life expectancy is increasing and, in most areas, the mortality rate reducing at a faster rate in the North East than nationally, narrowing the gap between the North East and elsewhere. However, whilst life expectancy is improving, men and women in the North East are still likely to die younger than the national average. Men and women living in the most deprived areas can expect to die on average more than ten years and seven years earlier respectively than their counterparts in the least deprived areas.

- 37** There are also significant issues in the North East around unhealthy lifestyles. For example the percentage of North East women smoking in pregnancy and hospital admission rates related to alcohol are the worst nationally; childhood obesity rates and teenage pregnancy rates are higher than the national average. Organisations in the North East need to build on the progress that has been made to date and ensure that they move further and faster in addressing health inequalities.
- 38** Our North East wide report and local review on teenage pregnancy highlights a number of key areas that partnerships need to focus on to improve action to address health inequalities.
- Strategic priorities and funding should be aligned. There are significant economic and financial costs associated with health inequalities that can be reduced through successful funding.
 - Successful targeting of services to those who most need them, based on good data. We found that this data is often not available.
 - Accountability and performance management arrangements were often weak or not in place, so that those delivering services may not be adequately held to account and value for money and improved outcomes cannot be demonstrated.
 - Joint working was variable, with some good examples, but also other instances where a lack of partnership working reduces effectiveness. Joint data collection needs to improve, with a lack of shared information systems causing problems.
 - Agencies need to look for ways to better support and use the resources available in the community and voluntary sector.
 - There was mixed practice in taking community views into account in developing high level strategies and service development plans.
- 39** Action to reduce teenage pregnancy in North Tyneside has a number of strengths, including dedicated staff, increased investment, a purpose built centre for contraception and sexual health services and developing partnership working between the PCT and Council.
- 40** Young people have worked with the teenage pregnancy service to develop leaflets, posters and a service guide but there is little evidence of them influencing strategy development. However, as the teenage pregnancy forward plan states, engagement with young people and parents needs to be more systematic.
- 41** Targeting is having some effect. There are examples of services being targeted on individuals.
- The C-card scheme (where young people are issued a card which gives them access to condoms and sexual health advice) has higher uptake from areas with high teenage pregnancy rates.
 - The Base is a specialist clinic for homeless and vulnerable young people. The majority of young people who use the Base are from the most deprived areas.

Value for money and use of resources

- 42 A plan has been put in place to improve access to contraception and sexual health services, marketing and Long Acting Reversible Contraception. Other gaps in services have been identified in the teenage pregnancy forward plan, but it is not clear how quickly action is being taken to reduce these.
- 43 However, these actions are not yet making the difference required to achieve the 2010 target:
- accountability is not sufficiently strong;
 - action is not yet extensive enough or taking place consistently enough to make a difference;
 - service evaluations against objectives are not carried out consistently enough to measure outcomes, although regular user feed back is analysed;
 - analysis of whether services are reaching at risk individuals and vulnerable groups and having an impact could be improved; and
 - commissioning, perhaps using the third sector, could be extended to increase diversity of provision.
- 44 As a priority, improved performance management would help to focus action and hold services to account. Business cases should be produced by the Teenage Pregnancy Commissioning Group where additional action is needed.

Recommendation

R2 The Council should work with partners, using the recommendations in our health inequalities reports to improve targeting and performance management, making effective use of the voluntary sector and community views.

VFM conclusion

- 45 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 46 I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 47 I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at Council on 21 January 2010 and will provide copies to all members.
- 48 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 3

Report	Date issued
Audit Fee letter	April 2008
Review of the Transformation/Value for Money Programme Arrangements	September 2008
Probity in Partnerships	March 2009
Ethical Governance	June 2009
Health Inequalities Phase 3 (teenage pregnancy)	May 2009
Detailed opinion plan	June 2009
Serving Diverse Communities	July 2009
Annual Governance report Opinion on financial statements Value for money conclusion Whole of Government accounts return	September 2009
Use of Resources assessment	October 2009
Annual audit letter	November 2009

- 49 The Council has taken a positive and constructive approach to our audit. I wish to thank Council staff for their support and co-operation during the audit.

Steve Nicklin
District Auditor
November 2009

Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

KLOE 1.1 (financial planning) Score VFM criterion met	3 Yes
<p>The Council introduced a new approach in 2008/09 for communicating and delivering its major plans. The Council Plan was aligned with the newly introduced five-year financial planning timescale governing the revenue budget. This allowed the Council to identify a direct link between the strategic objectives of the Council and the resources used to deliver them.</p> <p>The budget proposals set down in the Business and Resource Planning Reports reflected the financial element of the resources needed to deliver the Council Plan priorities. This allowed the links between organisational and financial planning to be identified.</p> <p>Different scenarios were modelled in terms of the levels of council tax, level of reserves, level of savings and different equal pay settlements including the use of capitalisation approvals.</p> <p>The Strategic Investment Strategy reflected Council Plan priorities and acknowledged available resources, while the ten-year Strategic Investment Plan became well established and worked to enhance the financial and delivery certainty in relation to infrastructure investment in the Borough. The Local Prudential Code was refreshed and was approved by Council in March 2009. Prudential borrowing to support local capital investment was in line with the Code.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Treasury Management Strategy has been updated annually and is approved by Cabinet in March each year. Due to the current recession the emphasis of the strategy was moved towards stewardship and the safeguarding of the Council’s investments rather than the maximisation of income.</p> <p>Major financial pressures such as the financial impact of job evaluation schemes and equal pay claims have been monitored on a continuous basis and plans formulated to manage them within current and future available resources.</p> <p>The Council had previously identified potential pressure points, eg the slump in the land sales market and the impact on the Strategic Investment Plan, during the budget setting process, and provided options to the potential pressure points that may occur during the financial year 2009/10.</p> <p>The Council had a proven, seven-year, track record of spending within budget and at the same time, considerable attention had been paid to strengthening the balance sheet.</p> <p>As at 31 March 2009, the level of balances and reserves were at a historically high level.</p> <p>Major improvements in the ways in which the Council liaises and consults with stakeholders were made in 2008/09. This has led to more extensive budget engagement and resulted in residents being better informed and more aware of what the Council was doing. It allowed residents to be actively engaged in, and part of, the decision making process of the Council. The outcome was that 74 per cent of residents felt either very or fairly well informed about the services and benefits provided by the Council, up 6 per cent on the previous year. (The 2008 face to face resident survey).</p> <p>During 2008/09, Cabinet invited partners to Cabinet meetings in order to develop closer partnership relationships and a more transparent and better informed decision making process for the Council. Partners who attended included Police Superintendent, PCT Chief Executive and Age Concern Chief Executive.</p> <p>Cabinet agreed to the creation of a Young Elected Mayor for North Tyneside. The Young Mayor will be the young person’s representative at Cabinet, attend Council meetings and speaks on behalf of the young people he represents, and will have a £25k annual budget that can be spent on projects that will benefit young people.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Council understood its costs, including whole life transaction and unit costs and took account of this understanding in decision making and commissioning. It also linked costs to performance for more informed decision making.</p> <p>During 2007/08 the Council embarked on a major Value for Money (VfM) exercise where it identified 51 service areas to be reviewed, covering all services except those that were subjected to other major reviews such as the construction and housing repairs integrated service (CHRIS).</p> <p>Members of the transformation team and a strategic partner worked with all service areas to carry out a full VfM assessment of each service evaluating their costs, performance and user satisfaction, they were benchmarked against comparators against each of these areas.</p> <p>The Council spent below average for both Metropolitan authorities and its group of nearest neighbours. In addition, overall costs and unit costs for key services allowing for local context were not significantly higher than other councils providing similar levels and standards of services. There was a positive relationship between costs and the range, level and quality of services provided including overheads and capital costs.</p> <p>The Council is currently undertaking a review all support services covering 1,200 staff and current consideration is whether to form a single service structure which would save £1.2m in the first year as well as improving service delivery.</p> <p>The Council linked costs and performance data to inform decision making. As part of the 2008/12 business and resource planning framework financial resources were aligned to strategic objectives as set out in the 2008/12 Council Plan.</p> <p>The management, monitoring and reporting of the Council's revenue budget demonstrated the realism of efficiency programme which over the last three years was expected to achieve £54m cumulative efficiencies.</p> <p>Major costs drivers were understood as they were largely people and demand driven. However, for some services the key driver is income generation and considerable time is spent analysing and modelling change and customer behaviour and these are used to inform future planning.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Council has been strong at identifying the scope for making efficiencies and was on track to achieve planned efficiencies. Targets have been set as part of the budget setting process and were monitored and reported quarterly to Cabinet and fortnightly to Corporate Management Team as part of the financial and performance reporting mechanisms. Targets were then allocated out to Directorates where they were specific to those Directorates. Central savings were managed and monitored corporately.</p> <p>The transformation programme planned for £46m savings from a four-year programme starting in 2006/07, but two of the programmes were projected to fall short of their targets by about £700k, this was however be covered by a £883k contingency set up as part of the 2008/09 budget. The Council anticipated achieving their £54m savings over the four years.</p> <p>Systems are in place to ensure that savings are not included in both corporate and finance budgets.</p>	
<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Budget monitoring reports were produced within ten working days of the period end for budget holders, with reporting to Corporate Management Team within three weeks. Reports showed the budget and projected year-end spend for each directorate and service area. In addition, reports also gave a service area breakdown of budgets and expenditure.</p> <p>Capital monitoring was on a scheme-by-scheme basis. An analysis of variations was provided; areas of risk identified and these risks were assessed and extrapolated throughout the year. Action required to bring spend back on budget was also identified in these reports.</p> <p>Reporting to Cabinet was on a quarterly basis, with this report also presented to the Finance Sub Committee for scrutiny and challenge.</p> <p>The Council had a proven track record of identifying and reporting potential overspends and taking prompt action to address them and bring spend back on budget, stretching back to 2002/03.</p> <p>Relevant information was included in reports relating to such issues as equal pay claims, the general economic changes, problems in the banking and financial sectors, movements in interest rates and their effect on the Council's finances.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Directorates provided relevant and appropriate electronic reports to Budget holders and managers. These reports were profiled and forecast year to date positions for managers. Throughout the period, reports were presented to relevant meetings involving key players.</p> <p>The 2009/14 Business and Resource Planning Framework process were approved by Cabinet in July 2008. In addition, the 2009/10 Budget Engagement Strategy was agreed by Cabinet in September 2008. Cabinet's initial 2009/14 Council Plan, budget proposals and the 2009/19 strategic investment plan proposals were approved by Cabinet in December 2008.</p> <p>As part of the Budget Engagement Process with the trades unions, business community, LSP, schools forum etc, the chief finance officer provided presentations on the Cabinet's draft Council Plan and initial budget proposals.</p> <p>The Council's accounts, in the main, complied with statutory requirements, statutory or regulatory timetables, relevant accounting and reporting standards. The accounts were approved before 30 June 2009 by Council and were published on 30 September 2009.</p> <p>The draft accounts approved by the Council contained a material accounting error of £19,042k. Our audit of the financial statements identified this error in depreciating Council dwellings which had already been impaired. This error was corrected by Management in the published Accounts.</p> <p>The Council demonstrated that it considers the needs of its local community to access information. Audiotapes were available in libraries and on request. This process was established after consultation with representatives of sight impaired people who fed back that too many 'tapes' posted out were not useful. Braille and large font size versions of publications were also available on request and this availability is advertised on all major Council publications and on the website.</p> <p>The quality of the working papers produced by the Council improved from 2007/08 in that we had access to them electronically. As in 2007/08, officers responded promptly to additional requests for information.</p> <p>In addition, the Council have shown a corporate commitment and culture to producing good quality accounts and supporting documentation. To do this the Council produced formal guidance notes and a final accounts timetable which was updated regularly. Strategic Finance held meetings with key personnel within the Council including the Directorate Accountants with regard to the year end timetable and audit requirements.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 1.3 (financial reporting)	
Score	2
VFM criterion met	Yes
<p>The Council asked for stakeholder views about what information was required in its external reporting and tailored it accordingly. Council publications were market tested with client groups and feedback fed into the planning process. Use of plain English was the Council policy for all communications. An example of this was the Housing Matters newsletter for tenants, which had a brief explanation of what the document contains in other languages.</p> <p>The 2008 published accounts and Annual Audit Letter are available on the internet. Summary accounts were drawn up for 2007/08 and published in the Council magazine 'Up Close' which was delivered to all households in the Borough and in the local press, after the completion of the audit. They were also published on the Council's internet site.</p>	

Governing the business

KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
<p>In 2008/09 the Council had a clear vision of intended outcomes led by the sustainable community strategy and set out the vision for the Borough until 2030. Its key priority was 'closing the gap' between the best off ward and the least well off.</p> <p>It was based on sound understanding of the current and future needs of the borough where demographic, deprivation and other economic data along with an analysis of resident perception data were examined. This gave a sound understanding of likely long term social, environmental and economic trends and these were then linked to regional plans such as the Regional Economic Strategy. The procurement strategy contained the commitment to work with the local small and medium size enterprises (SMEs) and the third sector to improve their ability to compete for contracts.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.1 (commissioning and procurement)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>There were some examples of the involvement of local people in commissioning services such as parents and key partner’s engagement in school commissioning. A joint commissioning strategy had been agreed through the Children and Young People and Learning Partnership Board which consisted of North Tyneside PCT Commissioners, the Learning and Skills Council and the Children, Young People and Learning Directorate. Activities were increasingly being commissioned through the Board such as the commissioning of five full service extended schools to serve different localities across the borough. A commissioning strategy for Adult social care had been agreed for 2007-2011 and the elderly population were actively involved in the Older Homes for the Future PFI process.</p> <p>There was evidence that the Council improved the customer experience, quality and value for money of services through the re-design and effective use of IT. There were several examples of this in the delivery of adult care and the joint procurement of housing.</p> <p>There was effective use of ICT to deliver service improvement with the Council using technology extensively in procurement, with e-auctions and e-tendering. It held several successful e-auctions in collaboration with partners. Purchase cards were first used in 2004 and continue to be used to purchase low value /high volume purchases such as catering services.</p> <p>The Council understood and influenced the supply market. The procurement strategy contained clear plans for managing the supply market through relationship management, regeneration, the third sector and partnerships. There was also a commitment to the purchase of local produce for example use of Northumbrian beef in its kitchens, along with local potatoes and local organic milk, fruit and vegetables, across the Council.</p> <p>The Council had sound arrangements in place to ensure competitiveness of services. The VfM review process as well as the transformation programme led to a planned approach to identifying opportunities for savings. These were categorised into four approaches: alternative service delivery models; transform internally; continuously improve; and cross cutting VfM improvement.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council demonstrated a good approach to the production of relevant data but acknowledged itself, problems with supply of reliable data. Our work confirmed the improvement of some approaches that were seen as weaknesses last year. Significant efforts and resources had been expended to review and improve relevant strategies, structures and staffing to produce better more accurate data and then use that data in the decision making process. For example, the setting up of the cross Directorate Information working group (IGWG), which met regularly, has led to more detailed examination of data across all Directorates.</p> <p>The Data Quality (DQ) Strategy was reviewed and expanded to include use of information policy although this was only done in March 2009. It also included DQ standards for third party data. Officers planned that each indicator would be subjected to a process mapping exercise that would look at how it is derived and look for improvements in the process for collection to ensure greater accuracy and reliability. Partners had copies of the DQ standards and an agreed data process understanding but there were no signed agreements in place to formalise the process.</p> <p>Over 20 Data champions were identified across the Council and contributed to identifying processes needed for conducting peer review data quality audits. Nominated gatekeepers of data from third parties were in place whose role was to monitor data coming in.</p> <p>The pace of improvement in some cases had been slow, for example, action to identify the causes of errors in 2007/08 benefits data quality did take place in the latter half of 2008/09 however full scale training which would impact on benefit data quality did not take place until start of 2009/10.</p> <p>The Council understood the needs of its decision makers and provided them with information that was fit for purpose and was used to support decision making. The Performance plus system was used as the base for the collection and dissemination of data. However, internal audit work, yet to be reported, questions the quality of management and the checking of data before being entered into performance plus. It also raises issues regarding the role of the data champions and the level of checking of the data.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Regular reports were produced for main committees and the North Tyneside Strategic Partnership (NTSP) at timely and regular intervals. However, we saw evidence at a NTSP meeting that suggested that the use of data in North Tyneside was more about performance monitoring rather than performance management.</p> <p>An Information Law Policy was in place and was, until recently, the responsibility of the Strategic Director of Organisational improvement. The Council ensured any data being transferred was safe and had an information incident response policy in place to deal with possible security breaches.</p> <p>The Council monitored performance against its priorities and targets, and addressed underperformance.</p> <p>The enhancement of the Corporate Performance management section on data quality did not appear to have led to improved performance management. The NTSP meeting that we attended had very little discussion of the quarter 3 performance management report despite some of the targets not being met. Remedial action, where set out in reports, was not challenged and no assurances were sought that this would lead to improvement.</p> <p>Data quality - audit spot checks</p> <p>We undertook spot checks on the following indicators.</p> <ul style="list-style-type: none"> • NI106 Children from deprived backgrounds moving into Higher Education. • NI132 Timeliness of Adult Social Care assessments. • NI 192 percentage of household waste recycled, composted or reused. • NI 32 Repeat incidence of domestic violence. • NI56 Obesity amongst primary school children. • NI158 percentage of non decent homes. • BVPI 78a (Housing Benefits New Claims) and BVPI78b (Housing Benefit Change in Circumstances). <p>The outcome of testing is set out below.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 2.2 (data quality and use of information) Score VFM criterion met		2 Yes
National Indicator (NI)/ Best Value Performance Indicator (BVPI)	Findings	
NI106 Children from deprived backgrounds moving into Higher Education	<p>As NI 106 is a nationally produced indicator it is difficult for the Council to give assurances that it meets the Audit Commissions data quality criteria as the data is provided by the Department of Business Innovation and Skills (DBIS).</p> <p>The Council has introduced sound processes to ensure the base data of numbers of free school meals is as accurate as possible but then has to rely on DBIS systems of translating this into the nationally produced indicator.</p> <p>This is important as three databases are matched to reach the calculated figure therefore the potential risk to the accuracy of the data is significant and detailed checks on the data have yet to be performed by the National Audit Office which would again give the Council some assurance.</p>	
NI132 Timeliness of Adult Social Care assessments	<p>The Council had strong and robust processes and systems in place to produce relevant, reliable data and information to support decision making and manage performance.</p> <p>Detailed checking of the data used in the production of the NI found it to be calculated correctly and contained all relevant data for the period of the NI.</p> <p>The SWIFT systems provided a sound audit trail and this gave the service the confidence to move towards a paperless office and use the system much more to record assessments on line.</p> <p>The audit trail gave details of who amended the system, what they amended and when it was amended.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 2.2 (data quality and use of information) Score VFM criterion met		2 Yes
NI 192 percentage of household waste recycled, composted or reused	<p>The Council had strong and robust processes and systems in place to produce relevant, reliable data and information to support decision making and manage performance.</p> <p>It could be strengthened by a higher level of third party agreement being in place to remove the high degree of trust and reliance on data provided by third parties.</p> <p>Detailed checking of the data used in the production of the NI found it to be calculated correctly and contain all relevant data for the period.</p>	
NI 32 Repeat incidence of domestic violence	<p>It was difficult to assess the data for NI 32 in terms of the Commission's data quality criteria as there had been no data produced yet due to the newness of the organisation responsible for its collection and management (MARAC).</p> <p>The data was produced by a third party (Northumbria Police) and the Council at this stage had no access to the data and therefore cannot assure its accuracy.</p> <p>There was no third party agreement in place which formally acknowledged the Police's duty to provide accurate and timely information.</p>	
NI56 Obesity amongst primary school children	<p>It was not possible to assure the accuracy of this NI despite processes being in place which attempted to validate and verify both the denominator and numerator.</p> <p>The data relied on was based on electronic returns by schools. This data was then input directly into class lists produced by the NHS and relied on their accuracy without any spot checks being undertaken. Verification processes may pick up large deviations but not many small ones.</p> <p>The calculation was undertaken by the NHS information centre and sent to the PCT who subsequently sent it to the Council. Due to the ability of both parents and children and absenteeism leading to non returns it was difficult to verify the completeness of the data. Eighty five per cent returns is considered acceptable.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 2.2 (data quality and use of information)		2
Score		
VFM criterion met		
NI158 percentage of non decent homes	<p>The organisation was capable of producing relevant and reliable data in relation to the percentage of non decent homes. Data was held on two systems but detailed checking found them to be synchronised at the correct total housing stock of 15742. Systems for recording homes made decent were sound and accurate. Reconciliations were made with the capital programme spend to ensure all properties improved were included.</p> <p>All other requirements of the Audit Commissions criteria for data quality were being met.</p>	
BVPI 78a Housing Benefit New Claims BVPI 78b Housing Benefit Change in Circumstances	<p>The Council was not monitoring Housing Benefit cases being prematurely closed.</p> <p>An error rate of more than 10 per cent was identified in initial testing therefore we concluded any performance indicators were inaccurate.</p> <p>Despite implementation of some of the recommendations previously made by both internal and external reviews of Housing Benefit Data Quality, progress has not been sufficiently strong and many have not been fully implemented in 2008/09. For example, training requirements identified as a result of our work in 2007/08 had not taken place in 2008/09.</p> <p>Improvements in checking claims had been made since November 2008.</p> <p>There was no Interim Payment policy in place in 2008/09 despite interim payments being made and there was no action taken to ensure performance in these cases was correctly reported.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council had adopted and promoted the principles of good governance. It had implemented all the requirements of the Local Government Act 2000. Unfortunately compliance with good governance principles was undermined by a small minority of Members. We saw instances of debate, often undertaken in public, that might have an adverse impact on the image of the Council amongst some partners and other key stakeholders and in which time was devoted to aggressive 'points scoring' rather than to constructive decision making. Adversarial was a term often used to describe the approach of some Members. Despite some Members' behaviour the Council maintained its focus on purpose and vision. It had a strong suite of plans and strategies focused on customer needs. It worked through the political tensions and in some cases worked around them to achieve notable outcomes for the people of North Tyneside but again there were instances where the behaviour of a small minority of Councillors had delayed decision making and hence achievement of objectives. The Council did not demonstrate a strong ethical framework and culture as evidenced by the relatively large number of trivial complaints to the Standards Committee and the lack of ability of that Committee to tackle the issues. Recent work with the Members reduced the number of complaints to eight compared to 33 last year. However, behaviour was still an issue that is potentially damaging public perception of the Council. The Standards Committee had been strengthened by doubling the independent membership but as the Chair and Vice Chair were relatively new it was still finding its way in addressing the problems. It had not been helped by decisions of the Standards Board for England which had set precedence that are proving unhelpful to Standards Committee. The situation described above has led to a lack of trust between Members and other Members and between Members and officers who were seen wrongly as supporters of the Mayor by some parties. The Executive and senior managers were seen as promoting principles of good governance but were not seen as role models. This was more due to assumption by a minority rather than actual reality of their actions. There was evidence of the promotion of good governance at numerous Council meetings in the past by both the Mayor and the Chief Executive trying to influence the minority of Members into a more business-like mode of operating.</p>	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council did apply the principles and values of good governance to its partnership working. It had good working relationships with the third sector, working within strong protocols and contractual arrangements. The Council had reviewed its support to the third sector and signed up to longer term agreements which provided more stable environment of those organisations and which led to better governance arrangements under funding agreements and contracts. However, this was not universally welcomed by third sector organisations.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council had effective risk management arrangements in place which covered partnership working although the Council recognised that this is relatively new and there was still some work to be done in partnerships. A review of the governance arrangements of partnerships had been undertaken to evaluate and identify recommendations for improvement. A series of self awareness sessions were carried out in February 2009 for those considered as significant partnerships. Other sessions were scheduled for later in 2009 for medium and low level partnerships. Over the next year the risk advisor will work closely with partnerships to establish risk registers that reflect all partners. This work will also involve the partnership leads.</p> <p>The Council had a clear agreed risk strategy which was widely available to staff partners and to Members. It had also developed a model within the strategy for identifying, assessing and managing risks. This worked well and was translated into a series of departmental risk registers and built up into a corporate risk register which also included risks associated with partnerships. Risk was the responsibility of a Strategic Director.</p> <p>A recent independent review by a risk consultant employed by the Council's insurers felt that the strategy did not provide sufficient links to the Councils to corporate aims and objectives and business planning process. This will be addressed when the Risk Strategy is reviewed during 2009/10. It is good practice that risk has been fully integrated into the Business and Resource Planning process, and that all risks in the Strategic risk register have been mapped to the Council plan and vice versa.</p> <p>Resources were an issue which might impact on embedding risk throughout the organisation. The risk management team consisted of one person supported by four risk champions, one from each of the four Directorates.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Current arrangements had led to sound systems for identifying risks recording them and analysing them. The Council was good at identifying key strategic risks and did not get too bogged down in operational risks.</p> <p>Recent work had been undertaken to address an identified weakness that some risks were worded so broadly they may not be managed properly because of a lack of detailed clarity as to why they were considered a risk and what was causing concern.</p> <p>Progress was made in addressing these issues and improving the clarity of some of the risks identified. This will lead to a more specific rather than a broad brush approach.</p> <p>A robust approach to action planning was in place described by the independent consultant as a mature and comprehensive approach to risk assessment and management ensured it was a living process and not a one off exercise. However, the Council recognised that software used to assist the process could be improved to meet the Council's ongoing risk management needs. The Council had sound systems of internal control including internal audit. Our review of the annual governance statement concluded that it had been properly prepared and complied with all the requirements. The system for its production was also assessed as rigorous, drawing assurance from a number of sources.</p> <p>The Council had an anti fraud policy and fraud response plan in place supported by a sound programme of counter fraud work. The Benefits counter fraud team had a dedicated 24 hour hotline for reporting of fraud and the Council had a zero tolerance stance on fraud.</p> <p>The Anti-Fraud and Corruption Policy/Fraud Response Plan clearly stated that the Council expected its partners to interact with it that is with integrity and without thought or action involving fraud and corruption.</p> <p>Two members of the Internal Audit team were specifically trained in counter fraud and there was a dedicated counter fraud post within the team. This enabled the Council to promptly investigate potential cases of fraud and corruption.</p> <p>A dedicated and continuous review of the Council's key financial systems was performed.</p> <p>The Council had an Audit Panel in place which was a dedicated sub-group of Cabinet, and which discharged the functions of an Audit Committee for the Council.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council had Standing Orders with respect to Contracts, Financial Regulations and a Scheme of Delegation.</p> <p>The Council's Head of Legal and Democratic Services had in place a system to ensure awareness and implementation of emerging legislation; the Head of Strategic Finance ensured as part of her professional responsibilities that a lawful budget was set.</p> <p>Issues arising within the Housing Department, in relation to the allocation of Council houses, led to internal control arrangements being strengthened but these were not embedded in 2008/09.</p>	

Managing resources

<p>KLOE 3.1 (use of natural resources)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council had identified the natural resources its buildings use.</p> <p>A sustainable development strategy (launched in 2007) and climate change strategy (launched in May 2009) had been developed in consultation with others in the local area to identify ways to reduce its own use of natural resources and impact on the environment. Although targets had been set they had not been reported upon to date.</p> <p>The Council had gathered information on the use of natural resources to establish a base-line of the natural resources it uses.</p> <p>Initiatives had been developed to support its strategies eg the Sustainable Development and Construction Guide, which is the Council's informal statement on planning policy. This was used by the Council in the procurement of major contracts and had raised awareness amongst planners and designers in North Tyneside.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 3.1 (use of natural resources)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Action had been taken to reduce the environmental impact of Council's transport fleet, for example a trial of 50mph speed limiters, movement of diesel vehicles to 5 per cent bio diesel, trial of tracking system.</p> <p>The Council had a ten year Biodiversity action plan which began in 2005 with a review scheduled for 2010.</p>	
<p>KLOE 3.2 (strategic asset management)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council's asset management strategy was a number of years old and was largely out of date. It was to be updated following recommendations made in an asset management report dated April 2009.</p> <p>There was a designated valuation and asset manager in place and in addition two Cabinet Members had joint responsibility for strategic asset management. Performance Indicators were used to assess asset management performance and the information is currently being collated.</p> <p>A review of office accommodation was undertaken in July 2004 to identify how services could best be delivered in future. Updates have been undertaken regularly since 2004.</p> <p>In 2007 a ten-year programme was approved to address maintenance backlog and this was being delivered as planned. Condition surveys were being updated on all buildings to ensure that the budget provision made was adequate.</p> <p>The Council held all the necessary key property information data on the asset base electronically but some was not held within the main Asset Management system.</p> <p>Joint partnership working with health sector was good. A number of joint service centres had been opened and there were some good examples of joint working with other Councils eg the second Tyne Tunnel with South Tyneside Council.</p> <p>The Council had been working with third sector to provide assets, for example the refurbishment of a former school had been leased to organisations such as VODA.</p>	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
7	R1 The Council should ensure that action plans arising from use of resources assessments, including specific reviews, are fully implemented.	2				
13	R2 The Council should work with partners, using the recommendations in our health inequalities reports to improve targeting and performance management, making effective use of the voluntary sector and community views.	2				

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